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May 30, 2006

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station  
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 06-42

Dear Ms. Cottrell:

Enclosed for filing in the above-referenced docket are Bay State Gas Company's responses to the following Information Requests:

AG-1-1  
AG-1-2

If you have any questions, please do not hesitate to call me at 617-345-1316.

Very truly yours,

Robert L. Dewees, Jr.

RLD/tlm  
Enclosure

cc: John J. Geary, Hearing Officer (3 copies)  
Jamie M. Tosches, Esq., Assistant Attorney General (4 copies)  
Andreas Thanos, Assistant Director, Gas Division (1 copy)  
Alexander Kofitse, Analyst, Gas Division (1 copy)  
Kenneth Dell Orto, Analyst, Gas Division (1 copy)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO  
INFORMATION REQUESTS FROM THE ATTORNEY GENERAL  
D.T.E. 06-42

Date: May 30, 2006

Responsible: Francisco C. DaFonte, Director, Energy Supply Services

AG-1-1 Please provide a spreadsheet analysis of the cost of gas to Bay State Gas Company's customers for the 2004/05 and 2005/06 peak season if both the proposed Vector/Washington 10 contracts and the Union/TCPL contracts had been in place effective April 1, 2004. Provide all supporting documentation, workpapers, calculations and assumptions (including the basis for Chicago hub prices and estimated injection and withdrawals). Include a working spreadsheet model with all calculations and formulae in tact.

Response: Attachment AG 1-1 provides a comparison of the average per unit cost (including the 100% load factor cost of any demand charges for capacity utilized to transport the gas from the initial pricing point) of deliveries to Waddington for the past two winter seasons (2004/05 and 2005/06) based on the assumption that the Company had the Vector/Washington 10 contracts in place and/or the Union/TCPL contracts in place. Also shown for comparison purposes are the estimated average costs for the upcoming winter season (2006/2007).

The analysis indicates that on a weighted average basis purchasing gas supplies at the Vector/W-10 pricing point would have resulted in lower prices to Bay State's customers if the Vector/W-10 and Union/TransCanada capacity resources had been in place for the 2004-2005 and 2005-2006 winter periods. Moreover, the analysis shows that the Vector/W-10 resource together with the Union/TransCanada capacity is expected to provide significant savings to Bay State's customers during the upcoming 2006-2007 winter period based on current market prices.

What the analysis does not show and what the Company deems to be invaluable is the purchasing flexibility that will be provided to Bay State and its customers. That is, should the Department approve the Vector/W-10 resource, Bay State would have the flexibility to purchase its gas supplies at Chicago, Dawn or Waddington depending on which purchase point provides the lowest delivered price to Bay State's city gate. In addition, Bay State may choose to withdraw from storage on approximately 90 days during the winter period as a low cost alternative to other pricing points along the Chicago to Waddington path. Given the ever changing market dynamics, the Vector/W-10 resource provides significant flexibility and affords Bay state's customers the potential for reduced gas prices.

[illegible][illegible][illegible]

2006-2007 Weighted Average Cost		
		Total Cost at Waddington
Nov-Mar	Vector/W10	\$8.70
Nov-Mar	Jawn	\$10.46
Nov-Mar	Waddington	\$10.87

[illegible]

	Chicago	Storage	Pipeline	Fuel	Fuel Cost	Dawn Price	Union	Fuel	Fuel Cost	TCPFL	Fuel	Fuel Cost	Total Cost at Waddington
November VectorW10	\$3.69	\$0.00	\$0.20	1.02%	<del>\$0.0928</del>	\$9.19	\$0.0684	0.96%	\$0.0807	\$0.2545	1.56%	\$0.1484	\$9.66
November Dawn						\$8.45	\$0.0684	0.96%	\$0.0832	\$0.2545	1.56%	\$0.1524	\$9.66
November Waddington									\$0.66			\$9.66	

[illegible]

2005-2006 Weighted Average Cost		
Vector/W10	Nov-Mar	
Dawn	Nov-Mar	
Waddington	Nov-Mar	
		Total Cost at Waddington
		\$9.14
		\$9.65
		\$9.68

2004-2005											
Purchase Point	Chicago (3)	Storage	Pipeline	Fuel	Fuel Cost	Dawn Price	Union	Fuel	Fuel Cost	TCPL	Total Cost at Waddington
Vector/W10	90 Days (2)	\$0.69	\$0.20	2.20%	\$0.1480	\$6.88	\$0.0694	1.56%	\$0.0691	\$0.2545	\$7.28
Dawn (4)	90 Days					\$6.48	\$0.0694	1.56%	\$0.0642	\$0.2545	\$6.88
Waddington (4)	90 Days										\$8.13

2004-2005											
Purchase Point	Chicago	Storage	Pipeline	Fuel	Fuel Cost	Dawn Price	Union	Fuel	Fuel Cost	TCPL	Total Cost at Waddington
Vector/W10	November	\$0.00	\$0.20	1.02%	\$0.0632	\$6.26	\$0.0694	1.56%	\$0.0620	\$0.2545	\$6.66
Dawn	November					\$6.37	\$0.0694	1.56%	\$0.0631	\$0.2545	\$6.77
Waddington	November										\$6.47

2004-2005											
Purchase Point	Chicago	Storage	Pipeline	Fuel	Fuel Cost	Dawn Price	Union	Fuel	Fuel Cost	TCPL	Total Cost at Waddington
Vector/W10	March	\$0.96	\$0.00	1.02%	\$0.0730	\$7.23	\$0.0694	1.56%	\$0.0715	\$0.2545	\$7.63
Dawn	March					\$7.23	\$0.0694	1.56%	\$0.0716	\$0.2545	\$7.64
Waddington	March										\$7.63

2004-2005 Weighted Average Cost											
Purchase Point	Chicago	Storage	Pipeline	Fuel	Fuel Cost	Dawn Price	Union	Fuel	Fuel Cost	TCPL	Total Cost at Waddington
Vector/W10	Nov-Mar										\$7.23
Dawn	Nov-Mar										\$7.07
Waddington	Nov-Mar										\$7.85

- 1) All 2006-2007 prices are based on the NYMEX futures strip as of May 24 and the NYMEX close for all expired contracts.
- 2) Storage is typically used during the 90 day period from Dec - Feb. All volumes outside of this period would be purchased at the Chicago market hub for delivery to Dawn.
- 3) Prices based on typical summer refill pattern of reliable injection during the months of April through October.
- 4) Winter period Gas Daily index price.

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D.T.E. 06-42

Date: May 30, 2006

Responsible: Francisco C. DaFonte, Director, Energy Supply Services

AG-1-2      Please provide a spreadsheet analysis of the cost of gas to Bay State's customers for the 2004/05 and 2005/06 peak season if the only the Union/TCPL contracts had been in place effective April 1, 2004. Provide all supporting documentation, workpapers, calculations and assumptions (the basis for prices at Dawn). Include a working spreadsheet model with all calculations and formulae in tact.

Response:    Please see response to AG 1-1.